GOVERNMENT OF INDIA
FOOD PROCESSING INDUSTRIES
LOK SABHA

STARRED QUESTION NO:512
ANSWERED ON:10.05.2007
FOOD PROCESSING INDUSTRIES
Baxla Shri Joachim

Will the Minister of FOOD PROCESSING INDUSTRIES be pleased to state:

(a) whether the Association of Chamber of Commerce and Industry has submitted to Government a paper on Indian Food Processing Industry in the year 2006-07;

(b) if so, the details thereof; and

(c) the steps taken by the Government in this regard?

Answer

MINISTER OF THE STATE OF THE MINISTRY OF FOOD PROCESSING INDUSTRIES (SHRI SUBODH KANT SAHAI)

(a) to (c): A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (A) TO (C) OF THE LOK SABHA STARRED QUESTION NO.512 FOR 10.05.2007 REGARDING FOOD PROCESSING INDUSTRIES.

The ASSOCHAM has made suggestions/ recommendations for various policy initiatives for the food processing sector. It includes, availability of raw material to the processing industry through encouragement of contract farming replacement of APMC Act, improved market access for Indian Food Products in overseas market, access to institutional finance for term loans and working capital for agricultural and food processing. The recommendation relating to taxation and credit include classification of all food processing units irrespective of their size as priority sector for bank lending, modifying and rationalizing taxation framework for the sector to remove distinction between branded and unbranded food products, scrap excise duty on packaging material for basic foods and custom duty reduction on food processing and packaging machinery/cold chain equipment. The paper further seeks doing away with multiplicity of Food Laws, standards, enforcement agencies and refers to inadequate food testing labs, lack of information on methods of sampling, inspection and testing. It emphasizes training requirements of food inspectors and the need in the un-organized sector of the industry for food hygiene standards such as GMP, GHP and HACCP. It also seeks updating curriculum of various educational institutions covering issues related to food safety and regulation, emerging global trends, quality requirements and process know-how. Setting up of world class academic institutions to meet educational and training needs of the industry on a continuous basis offering specialized management programmes, etc. has also been suggested.

Most of the suggestions made by the Chambers of Commerce & Industry are being addressed by the Government. In the 11th Plan Schemes, the Ministry is addressing the infrastructure related issues under the revamped Scheme for Infrastructure Development under which assistance will be provided for setting up of mega food parks, cold chain infrastructure, value added centres, packaging centres, etc. Schemes such as Quality Assurance, Research & Development and Promotional Activities, Scheme for Human Resource Development, etc. The setting up of the National Institute of Food Technology, Entrepreneurship & Management (NIFTEM) at Kundli in Haryana would address issues relating to quality and human resource development in the food processing sector. NIFTEM is likely to start short-term courses during the current financial year from hired premises. The Institute is likely to be fully operational during the third year.

In order to bring in reforms in the APMC Act, on the basis of the suggested Model Act, various State Governments have initiated reforms in the agricultural marketing sector by suitably amending the respective State level Acts. The major reforms sought to be introduced include, establishment of Direct Purchase Centres and Consumers'/Farmers' Markets for direct sale and introducing an institutional support mechanism for contract farming arrangements. The Government has been engaged in putting in place various bilateral trade arrangements with countries having potential markets for Indian goods and services as well as through multilateral arrangements such as WTO to ensure a fair market access for Indian goods and services, including farm products.

The RBI has recently revised upwards the eligibility of food processing units for priority sector bank lending with an investment in plant and machinery upto Rs.10 crores as against Rs.5 crores earlier. Rationalisation of tax structure is an ongoing process and during the current year's budget various tax incentives have been given to the processed food industry which include - raising of exemption limit of excise duty for Small Scale Industry (SSI) from Rs.1 crore to Rs.1.5 crores. Excise duty on biscuits whose retail price does not exceed Rs.100 per Kg has been reduced from 8% to 0%. Excise duty has been reduced from 8% to 0% on all kinds of food mixes including instant mixes, and on reefer vans (refrigerated motor vehicles) from 16% to 8%. Soya bari (food supplements) and ready to eat packaged foods have been fully exempted from excise duty; Custom duty reefer vans exempted, on food processing machinery has been reduced from 7.5% to 5% and on sunflower oil (crude) from 65% to 50% and on sunflower oil (refined) from 75% to 60%.

Special additional duty of 4% has been waived in the case of refined edible oil. Services provided by Technology Business Incubators have been exempted from service tax and similarly their Incubatees whose annual business turnover does not exceed Rs.50 lakhs exempted from service tax for the first three years.

Keeping in view the problems faced by the industry due to the multiplicity of food laws regulating food processing industries, Government has enacted an Integrated Food Law entitled "Food Safety and Standards Act 2006" which has already been passed by Parliament and notified on 24.8.2006. The Food Safety and Standards Authority to be set up under the above Act will address various issues relating to food hygiene including the training needs of the industry. The Government also proposes to strengthen the quality testing infrastructure in the 11th Plan by providing financial assistance to a large number of food testing labs at national, State and District levels.